CS150-4

Chain Store Age
EXECUTIVE
with Shopping Center Age
The newsmagazine for retail operations

1985 Big Builders
ICSC DEALMAKING

Retailers to customers: eat your hearts out!

Alan Reyburn, operating vp, customer services group, Bloomingdale's

00333956
MS. JEANNE LONG
CONGRESSIONAL INFO INC. 106
4520 EAST WEST HWY
BETHESDA MD 20814
EX

TWENTY DOLLARS A YEAR U.S.A.

Chain Store Age EXECUTIVE Volume 61, No. 11/November 1985

CONTENTS

When it comes to the construction of new store space, Wal-Mart is outpacing the rest of the industry. page 46

Retail message: 'Eat your hearts out' 17
Department store retailers are changing the image of retail food service from sentimental tradition to significant generator of profits and customer traffic.

Management support makes or breaks the restaurant 20

Jack Robinson: Perry Drug's Monday morning autocrat 21
The Michigan-based drug chain's founder, chairman and ceo is the acknowledged leader of a dedicated management team.

Big Builders: Diversification a prime factor in chart positions. 24
This year's figures indicate a growing interest in acquisitions, accounting for a major portion of added space.

35 K mart
35 A&P
39 Dayton Hudson
40 Lucky
46 Wal-Mart
46 Revco
50 Kroger
52 Ames
57 Melville

Corporate culture: Intangible reflections on the bottom line 147
Improving a company's cultural climate can bring about better communication on all levels.

Counterculture kid's updated headshop goes establishment 153
Dick Hayne transforms a school project into Urban Outfitters, a chain of apparel stores doing in excess of $10 million.

IBM's message graphics help PC customers get the picture 185
Life-size color graphics introduced in a chainwide remodeling program enhance selling power in IBM's 83 Product Centers.

RETAIL TECHNOLOGY

Computerized DSD puts retailers in control 159
New software packages are designed to avoid pitfalls by keeping a complete vendor file at the receiver's fingertips.

Luskin's computers can do everything . . . but gift wrap 166
Sophisticated POS system can write pick tickets, delivery tickets, verify credit, determine payment schedules and report sales commissions.

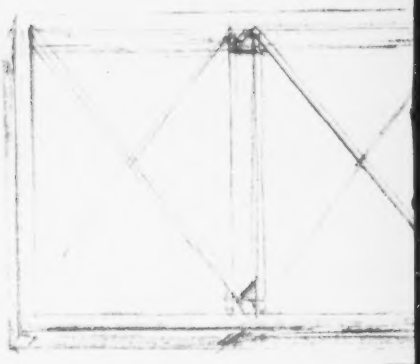
Federated Group stymies hijackers with two-way radio 172
To protect its highly desirable consumer electronics merchandise from predators, the chain has installed a security system in its truck fleet.

What's in store. 180

SHOPPING CENTER AGE Page 59

6 From the Editor's Desk
11 SPECS Forum
12 F.Y.I.
62 On the Level
139 New Stores & Shopping Centers
141 Shopping Center Age News
143 Shopping Center Real Estate
190 Classified Advertising
194 Advertising Index

Diversification a prime factor in chart positions



This year's figures indicate an growing interest in acquisitions, accounting for a major portion of added space

Because acquisition has become almost as much a growth factor as new construction, Ames Department Stores has become the No. 1 Big Builder of 1985 in additional gross square footage.

By pursuing such a strategy, Ames Department Stores will add more gross square footage by year-end than any other chain in America, boosting its retail space by a whopping 12,669,711 sq. ft. However, almost all of this increase isn't due to new building, but rather to the chain's purchase of G. C. Murphy earlier this year. The purchase, which more than doubles the size of the Ames retail operations, consisted of 118 discount department stores and 263 smaller retail units.

Without the acquisition, Ames would have added only 1,038,711 sq. ft. (still keeping it in the top 25) through the addition of 18 new units.

Service Merchandise is another chain which, through acquisitions, has moved quickly up the ranks of big builders. Last year, in terms of gross square footage added, it held the No. 22 spot, with 855,000 sq. ft. This year it has moved all the way up to No. 4 within the ranks of big builders, with an addition to gross square footage of 7,274,000 sq. ft.

However, of this number, 5,049,300 gross square feet came from Service Merchandise's purchases earlier this year of two catalog showroom chains. These were the nine-unit Ellman's and the 80-unit H. J. Wilson chains.

Without these two acquisitions, Service's catalog showroom growth for this current year would be confined to the addition of 21 new units, totaling 860,400 sq. ft.

In addition, all of the company's nonshowroom growth this year is coming from its Mr. HOW Warehouse home center chain. That division will have added 18 new units before year-end, for a total of 1,364,000 sq. ft. of new space. (Mr. HOW also represents a 1983 acquisition made by the company, when it acquired the first two units in this chain.)

The situation is somewhat similar for K mart which not only made a major acquisition of its own this year but which is also investing heavily in the diversification of its basic business (a trend seen throughout retailing). Earlier this year K mart acquired Pay Less Drug Stores Northwest, resulting in an addition to gross square footage of an estimated 3,690,000 sq. ft. (through the purchase of 164 existing units), plus an additional 675,000 sq. ft. for 30 new units scheduled to be opened before year-end.

In all by the end of this calendar year, K mart expects to add 10,016,000 gross sq. ft. Of this number, only approximately 1.6 million sq. ft. are resulting from the construction of new K mart discount units, with 20 on tap this year.

Instead, in addition to plans for Pay Less, the balance is coming from the expansion of Builders Square (acquired last year) and, to a considerably lesser extent, the expansion of Waldenbooks and Designer Depot.

However, at the same time K mart is investing an extremely hefty $1.1 billion in such capital expenditures (making it No. 1 among the Big Builders in capital expenditures).

K mart's commitment illustrates the willingness of such corporations to not only make major acquisitions but also to invest in upping their worth further. For example, it is reported that as much as $500 million of K mart's 1985 capital expenditures budget is being devoted to improving the worth of its more recent acquisitions. This is in keeping with the company's basic diversification strategy.

Diversification is also playing a role at Wal-Mart this year. While the bulk of the 9.4 million gross square feet being added by this company is being devoted to the Wal-Mart discount stores, the chain is also undertaking significant expansion of its Sam's Wholesale Clubs. This chain is more than doubling its size this year, up to 23 units by year-end.

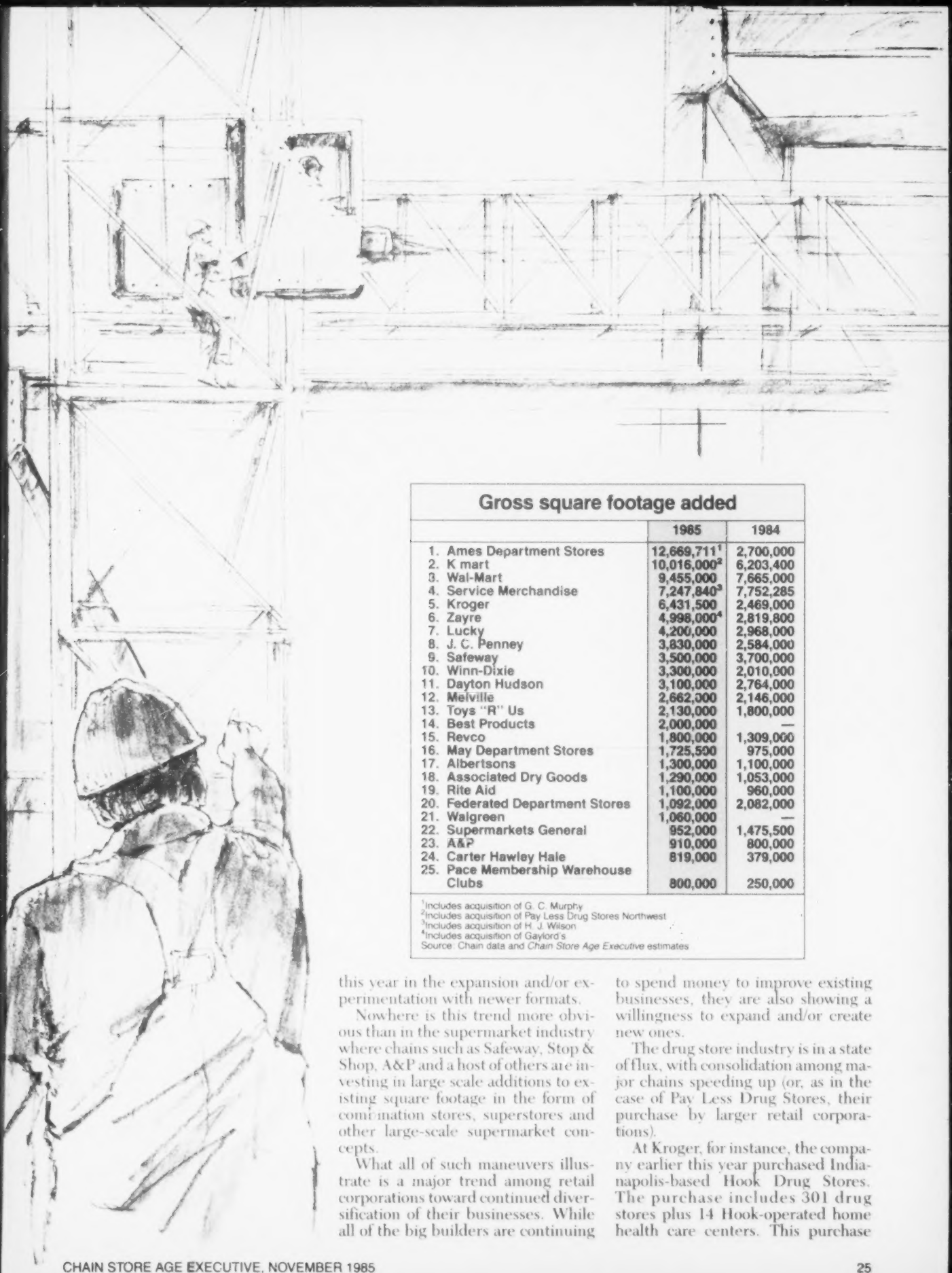
At the same time, Wal-Mart will have added approximately 115 discount stores to its ranks by year-end. Here, though, in addition to its traditional market areas, Wal-Mart is experimenting with smaller prototype stores of 29,000 sq. ft. for even smaller markets than the chain's traditional locations. (At the same time, Wal-Mart is building its usual 55,000 sq. ft. stores in larger urban markets.)

Wal-Mart, with a total capital expenditures budget this year of $225 million (excluding leased properties), is typical of a number of retail corporations who are also investing heavily

Capital expenditures

	1985 (000)	1984 (000)
1. K mart	$1,100,000	$740,000
2. Safeway	653,000	702,000
3. J. C. Penney	515,000	505,000
4. Sears, Roebuck	512,000	537,000
5. Dayton Hudson	460,000	385,000
6. May Department Stores	360,000	225,000
7. Kroger	307,000	310,000
8. Lucky Stores	250,000	188,000
9. American Stores	230,000	308,000
10. Wal-Mart	225,000	213,000
11. The Limited	195,000	118,000
12. Toys "R" Us	200,000	178,000
13. Federated Department Stores	163,000	103,000
14. A&P	163,000	113,000
15. Winn-Dixie	161,000	180,000
16. Albertsons	150,000	150,000
17. Zayre	150,000	98,000
18. Supermarkets General	150,000	110,000
19. Stop & Shop	140,000	108,000
20. Circle K	140,000	91,000
21. Carter Hawley Hale	135,000	107,000
22. Associated Dry Goods	110,000	104,000
23. Melville	103,000	93,000
24. Service Merchandise	100,000	70,000
25. Allied Stores	100,000	91,000

Source: Chain data and *Chain Store Age Executive* estimates



Gross square footage added

	1985	1984
1. Ames Department Stores	12,669,711[1]	2,700,000
2. K mart	10,016,000[2]	6,203,400
3. Wal-Mart	9,455,000	7,665,000
4. Service Merchandise	7,247,840[3]	7,752,285
5. Kroger	6,431,500	2,469,000
6. Zayre	4,998,000[4]	2,819,800
7. Lucky	4,200,000	2,968,000
8. J. C. Penney	3,830,000	2,584,000
9. Safeway	3,500,000	3,700,000
10. Winn-Dixie	3,300,000	2,010,000
11. Dayton Hudson	3,100,000	2,764,000
12. Melville	2,662,000	2,146,000
13. Toys "R" Us	2,130,000	1,800,000
14. Best Products	2,000,000	—
15. Revco	1,800,000	1,309,000
16. May Department Stores	1,725,500	975,000
17. Albertsons	1,300,000	1,100,000
18. Associated Dry Goods	1,290,000	1,053,000
19. Rite Aid	1,100,000	960,000
20. Federated Department Stores	1,092,000	2,082,000
21. Walgreen	1,060,000	—
22. Supermarkets General	952,000	1,475,500
23. A&P	910,000	800,000
24. Carter Hawley Hale	819,000	379,000
25. Pace Membership Warehouse Clubs	800,000	250,000

[1]Includes acquisition of G. C. Murphy
[2]Includes acquisition of Pay Less Drug Stores Northwest
[3]Includes acquisition of H. J. Wilson
[4]Includes acquisition of Gaylord's
Source: Chain data and *Chain Store Age Executive* estimates

this year in the expansion and/or experimentation with newer formats.

Nowhere is this trend more obvious than in the supermarket industry where chains such as Safeway, Stop & Shop, A&P and a host of others are investing in large scale additions to existing square footage in the form of combination stores, superstores and other large-scale supermarket concepts.

What all of such maneuvers illustrate is a major trend among retail corporations toward continued diversification of their businesses. While all of the big builders are continuing to spend money to improve existing businesses, they are also showing a willingness to expand and/or create new ones.

The drug store industry is in a state of flux, with consolidation among major chains speeding up (or, as in the case of Pay Less Drug Stores, their purchase by larger retail corporations).

At Kroger, for instance, the company earlier this year purchased Indianapolis-based Hook Drug Stores. The purchase includes 301 drug stores plus 14 Hook-operated home health care centers. This purchase

complements Kroger's increased commitment to the drug business also witnessed by its investment in SupeRx Drug Stores where it expects to have added 24 new units before year-end.

Meanwhile, in the department store area, the major players are once again this year making hefty capital investments. However, in an acceleration of a trend already seen over the past several years, they are spending much of this money for expansion of specialty businesses, along with limited further growth in their department store bases.

For example, at Federated Department Stores, which is adding 1,092,000 gross square feet this year, a large percentage of this is in the form of the expansion of its specialty store divisions. (The company's capital expenditures budget rose however, from $103 million in 1984 to $163 million in the current year.)

Meanwhile, Associated Dry Goods, with a capital expenditures budget of $110 million, is investing heavily in its nondepartment store divisions. It has plans afoot to have 14 new Loehmanns units opened before year-end, along with six new Caldors.

Obviously, though, the company that has moved most aggressively away from its original positioning in the department store field is Dayton Hudson (although this year it did open its first new department store in several years, in Bismarck, N.D.).

With an addition of 3.1 million sq. ft. planned for this year, it is aggressively expanding both its Target and Mervyn's divisions, opening 13 and 21 new units, respectively.

By year-end Dayton Hudson also plans to have opened a total of 60 Pickwick and B. Dalton stores, four R G. Branden's units, and two Lechmeres.

While such corporations are diversifying away from the department store arena, J. C. Penney is still determined to be recognized nationally as a department store chain. In fact, this year the company has committed $515 million to be used for the continuing renovation of its existing units as well the construction of new units.

Details of its 1985 capital expenditures program, which will result in the addition of 3.8 million gross square feet, include: 15 new full-line department stores, 35 smaller department stores, 20 drug units and 60 freestanding catalog operations.

At the same time, the company is continuing to close many of its unprofitable or borderline units.

(continued on page 35)

Now paying 10.94%.

U.S. Savings Bonds now pay like money market accounts! At the current rate—10.94%—you could double your money in less than seven years. Just hold Bonds for five years and you get the new higher variable rates. Plus, you get a guaranteed return. That's the kind of change anyone can appreciate.

But some of the best things about Bonds haven't changed. Savings Bonds are still as safe as ever. They're still exempt from state and local income taxes. And since Bonds cost as little as $25, they're as affordable as ever. What's more, Bonds remain a great way to keep our country strong.

You can purchase Bonds almost anywhere. At neighborhood banks, savings and loans and credit unions. Or easier still, right through the Payroll Savings Plan where you work.

For your free booklet, write: "50 Q&As," U.S. Savings Bonds Division, Washington, DC 20226.

U.S. SAVINGS BONDS
Paying Better Than Ever

Variable rates apply to Bonds purchased on and after 11-1-82 and held at least 5 years. Bonds purchased between 11-1-82 and 10-31-86 earning rates when held beyond 10-31-87. Bonds held less than 5 years earn lower interest.

A public service of this publication

New formats adding to growth

***K mart's Kitchen Korner offers** brand name appliances and fashion-oriented housewares.*

K mart's impressive expansion figures this year are a reflection of the speed with which the company is pursuing its diversification plans.

Of the 10-million-plus sq. ft. that K mart is adding, only approximately 1.6 million sq. ft. will be from the construction of 20 new K mart discount units. The majority of the balance is coming from the expansion of Builders Square and the acquisition of Pay Less Drug Stores Northwest, and to a lesser extent, the expansion of Waldenbooks and Designer Depot.

K mart has slowed its new store expansion in recent years and instead has opted to upgrade existing units to the "K mart of the 80's" format. The remodeling and refurbishing program includes the introduction of specialty departments carrying a broadened assortment of brand name merchandise in various categories.

In addition to upgrading the apparel merchandise selection and presentation, the chain is also installing four other new departments: the Home Electronics Center, selling audio and video products, home computers and peripheral equipment, software and entertainment game cartridges; the Kitchen Korner, offering brand name fashion-oriented housewares; the Domestic Center, featuring high-fashion soft goods for the home, and the Home Care Center, offering do-it-yourself home improvement items.

K mart's emphasis on the DIY market has been evident in its stores for the past several years. It had already begun to penetrate this growing market by offering expanded selections within existing stores when it acquired the nine-unit Builders Square chain (formerly Home Centers of America) late last year.

K mart		
	1985	1984
Stores in operation at end of calendar year	3,681[1]	3,365[1]
Total stores added in calendar year	316[2]	941[3]
Gross square footage added in calendar year	10,016,000	6,203,400
No. of stores closed	N/A	38
Total capital expenditures	$740 mil.	$1.1 bil.

[1]Excludes Furr's and Bishop Buffets cafeterias; includes Canadian operations
[2]Includes acquisition of Pay Less Drug Stores Northwest
[3]Includes acquisition of Waldenbooks
Source: Chain data and *Chain Store Age Executive* estimates

Following the acquisition, the chain immediately opened six more stores, to close the year with a total of 15 units. The company apparently sees great potential for the warehouse-style home improvement chain, and is adding another 35 units this year, up from its original plan to increase the chain by 20.

K mart expects to usher out the decade with over 100 Builders Square stores, each ranging in size from 80,000 to 100,000 sq. ft., doing a total of $1 billion in sales.

Early this year, K mart moved further into its retail-oriented diversification plans with the purchase of Pay Less Drug Stores Northwest for $500 million.

Headquartered in Wilsonville, Ore., the Pay Less chain at the time of the acquisition consisted of 164 stores, averaging 22,500 sq. ft. each. During the course of 1985, K mart intends to add 30 more units.

Waldenbooks, a 1984 acquisition, is upping its numbers by 70 units this year, and plans call for it to increase by that same number each year. Waldenbooks is expected to pull in $1 billion annually by the end of the decade.

An offshoot of Waldenbooks, however, the Reader's Market, is not enjoying the growth of its mother chain. Five of these discount book operations were opened in New York and Connecticut last year, and the company had originally intended to add 25 to 30 this year. The plans have been put on hold, however, according to a source within the subsidiary.

K mart is also pulling back a bit from last year's expansion of its Designer Depot operations. The chain ended 1984 with 52 units after the addition of 22 new stores. This year the off-price apparel chain will increase its numbers by 15. ■

Supermarketer adds formats

Having moved far away from its image as a sleepy giant supermarket chain, A&P this year is continuing to build a reputation as an innovator in store formats.

Last year the chain garnered industry kudos for its conversion of three existing conventional stores to its extremely innovative Futurestore format. Based on the positive response, A&P is continuing to expand the concept into other market areas this year.

However, the company is also well aware that the same format doesn't work equally well in all market areas and is therefore innovating through other design concepts.

This year the most prominent example thus far is the first A&P Sav-A-Center in Melville, Long Island, N.Y., which was unveiled in March of this year.

While this concept is similar to A&P superstores in terms of its high

New concepts feature the versatility of a superstore and the price emphasis of a warehouse store.

A&P		
	1985	1984
Stores in operation at end of calendar year	1,097	1,001
Total stores added in calendar year	24	122*
Gross square footage added in calendar year	960,000	3,110,000
No. of stores closed	N/A	35
Total capital expenditures	$130 mil.	$113 mil.

*Includes acquisition by A&P's Canadian division of 92 Dominion food stores.
Source: Chain data and *Chain Store Age Executive* estimates

level of service with an emphasis on perishables, the stores are more sharply promotional. They combine many of the features of the superstore, such as versatility and flexibility, with the strong price emphasis of a warehouse store.

However, unlike the "bare bones" design approach used by the typical warehouse operation, among the design elements in the Sav-A-Center are full-color photo-murals on the perimeter walls. The store has a large delicatessen, including a deli-to-go section, a salad bar, a cheese island and a juice bar. Such sections are rounded out by an extensive bakery department with a self-service section.

A number of Sav-A-Centers are scheduled to be opened in the Metro New York Area and in other A&P territories during this year, including a recently opened unit in Baltimore. It is expected that this approach to store format "will occupy an important niche in our marketing plans, establishing a strong economy image in selected locales with little sacrifice in variety or service," according to A&P's most recent annual report.

Before the current fiscal year ends, A&P is expected to open approximately 24 new stores (not including the 92 Dominion stores in Canada that the chain acquired in March 1985). Nor does it include its aggressive store remodeling program. In total, A&P is investing $130 million this year in capital expenditures.

In addition to the Futurestores and the Sav-A-Centers, the third tier of A&P's marketing philosophy and strategy remains the conventional supermarkets. While the company clearly sees larger stores as being on the leading edge of new development, company officials recognize that these superstores are not appropriate for some neighborhoods. In these areas, A&P intends to keep the store size small and sharpen the merchandising approach.

As the company says in its annual report, "In many locations, superstores cannot be implemented for various reasons—lack of market density in rural areas and high real estate costs in urban centers are two examples." Therefore, "In those A&P locations that are not suited for significant expansion, yet have convenient locations and a strong neighborhood franchise, we intend to sharpen our merchandising approach to maintain customer loyalty."

However, for the most part, the company's investment program will continue to be geared to the development of larger stores, not only throughout the U.S. A&P network, but also in the chain's Super Fresh, Family Mart and Kohl's subsidiaries. While these will not necessarily feature the same design elements utilized in the Futurestore, they will include the same emphasis on merchandise variety, special service departments, top quality meats and produce, combined with competitive pricing. ■

BIG BUILDERS/**DAYTON HUDSON**

Mervyn's, Target set fast pace

Much attention the past two years has been focused on the financial success of Mervyn's, the Hayward, Calif., promotional department store chain owned by Dayton Hudson Corp.

Paralleling that success has been the growth of that division both on the West Coast and in its year-old South Central territory. The chain's rapid expansion this current year helps put Dayton Hudson on *Chain Store Age Executive*'s list of 1985 Big Builders with square footage figures that are at least two times higher than most of its retailing peers.

Dayton Hudson's physical growth during the course of this year consists of the addition of more than 3 million sq. ft. of new store space. Most of that expansion comes from the opening of 21 Mervyn's units which generally measure in the 80,000-sq.-ft. range. Of those 21 units, 13 have opened or will open in the South Central territory by year-end, including stores in the new markets of New Orleans, San Antonio and Fort Worth.

Over the next five years, Mervyn's will be adding 140 stores with the aid of approximately one-half of Dayton Hudson's total capital investment allocations. While stores will continue to be added in southern California, entries into new markets are planned for the Pacific Northwest and the Sunbelt.

Mervyn's expansion last year was also considerable. Seventeen new stores were added, nine of those in the South Central territory (eight in Houston, one in Dallas), bringing that region's total number of stores to 19 at the end of 1984.

Dayton Hudson's other bright spot is its Target discount division. Thirteen new stores are scheduled to open before this year is over, including five additional units in Los Ange-

Dayton Hudson will open 13 of its successful Target units before the end of this year.

les, bringing the total there to 26.

Three other stores also are opening in markets where Target already has a presence; the balance are single-store entries into new, smaller markets like St. Cloud, Minn., for example.

Target's five-year plan calls for the addition of at least 70 new units. Target and Mervyn's combined will receive about 80% of the corporation's total investment.

Following last year's consolidation of Dayton's and Hudson's into the Dayton Hudson Department Store Co., the chain is now positioned for growth in the long term. This past summer the chain added one unit, an 80,000-sq.-ft. Dayton's store in Bismark, N.D., the first new department store in a number of years.

Dayton Hudson's specialty store group, consisting of Lechmere, B. Dalton and Pickwick Discount Books, also is enjoying growth with the addition of approximately 60 new units before year-end.

In particular, Dayton Hudson has been paying increased attention to Lechmere, the New England hard goods retailer. After several years of mixed financial results, Lechmere appears to have found a winning formula. Consequently, the parent corporation is providing it with more financial support. While Lechmere opened two units both last year and this current fiscal year, next year's plans call for the opening of seven units, including four in Atlanta, the first expansion of the chain outside of its traditional New England trade area.

Pickwick, B. Dalton's discount book store format, began an ambitious expansion program last year when it added 18 units. (Separate store addition figures for Pickwick, B. Dalton and B. Dalton's new software store concept were not available at presstime; in total they account for approximately 58 new units this year.) ■

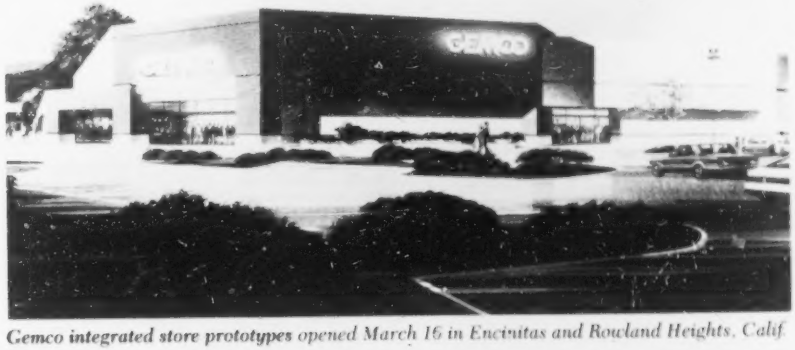
Dayton Hudson

	1985	1984
Stores in operation at end of calendar year	1,220	1,136
Total stores added in calendar year	99	71
Gross square footage added in calendar year	3,100,000	2,764,000
No. of stores closed	15	28[1]
Total capital expenditures	$460 mil.	$357.8 mil.

[1]Includes divestiture of Diamond's and John A. Brown.
Source: Chain data and *Chain Store Age Executive* estimates

BIG BUILDERS/**LUCKY**

Keeping on a steady course



***Gemco integrated store prototypes** opened March 16 in Encinitas and Rowland Heights, Calif.*

Continuing on a course of substantial growth, Lucky's capital expenditure program of $250 million to be invested during fiscal year 1986 (ending February 1986) will provide for 211 new units, bringing their total for the year to 1,541.

These new additions will add approximately 4.2 million sq. ft. to the existing square footage. The chain has planned 65 closings for the fiscal year compared with last year's store closings of 392, which included the selling off of the Pic-A-Dilly/It's-a-Dilly off-price apparel division consisting of 240 stores. The company's automotive division also sold a group of 77 stores.

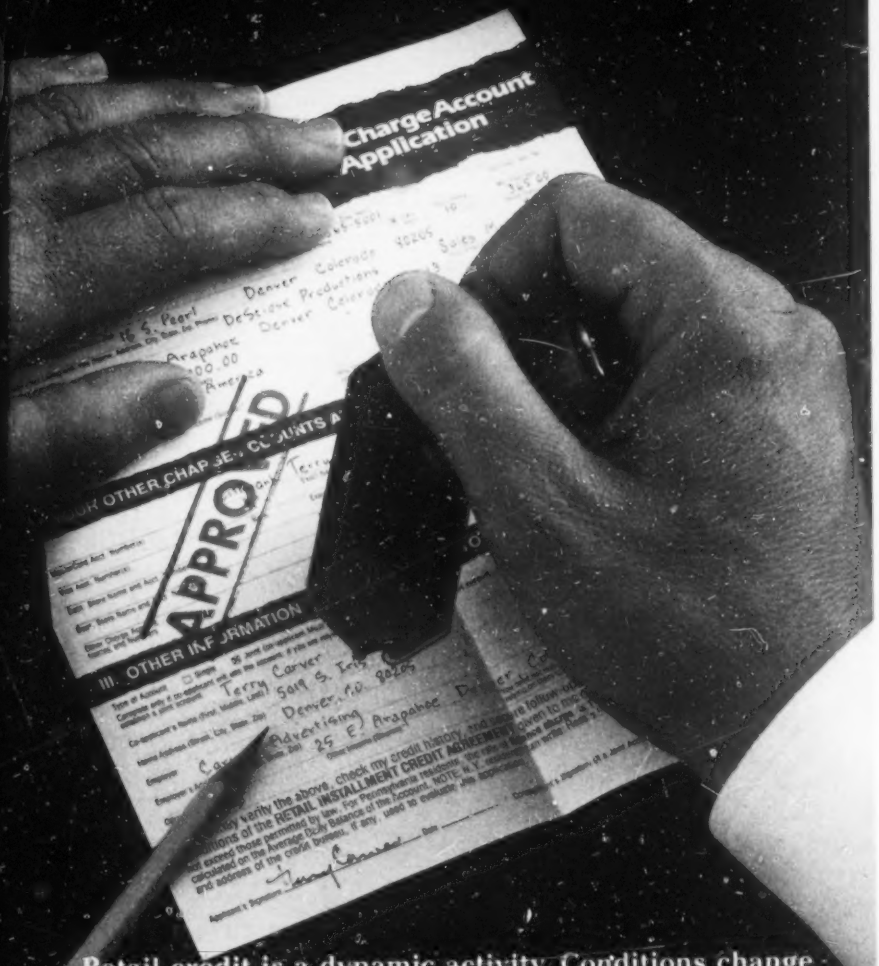
In contrast, of the closings planned for 1986, 22 are food stores, one is a specialty store, 22 are automotive stores and 10 are fabric stores.

Related to new capital investments, specifically, the company has said that its goal is to open 100 new stores each year. Its five-year plan calls for capital expenditures over that period to total $1 billion. Much of this money will be spent for enhanced information and productivity systems, along with major remodels of existing units.

Following a market research study indicating that delis and bakeries are becoming important to supermarket shoppers, Lucky's management plans to invest heavily in adding these service departments to their existing stores. It expects to finish 1986 with 278 delicatessens and 201 bakeries. This will be more than a threefold increase compared to last year.

In addition to the corporation's food store operations, an important area of development is the Gemco discount store division. In March 1985, Lucky opened two Gemco prototype stores—one in Rowland

We take the risk...



Retail credit is a dynamic activity. Conditions change every day. Yet, through it all, there's one factor that always remains the same: As a credit base grows, so grows the risk. Which is precisely the reason Citicorp Retail Services offers Risk Management as part of our full service package. We know how to evaluate new applicants. Who to approve. When to boost credit lines. And how to implement marketing programs to increase usage of your card. We also know how to employ *customer-sensitive* collection techniques. We take the risk. Which frees you to mind the store!

CITICORP RETAIL SERVICES

We help you put credit to work.

© 1985 Citicorp Retail Services, Inc.

Lucky		
	1985	1984
Stores in operation at end of calendar year	1,541	1,477
Total stores added in calendar year	211	158*
Gross square footage added in calendar year	4,161,900	2,968,300
No. of stores closed	65	392**
Total capital expenditures	$250 mil.	$188.5 mil.

*Includes the acquisition of 58 food stores
**Includes the sale of 240 Pic-A-Dilly and It's-A-Dilly stores to The Limited
Source: Chain data and *Chain Store Age Executive* estimates

Heights, Calif., and the second in Encinitas, Calif.

According to a company spokesman, Gemco's basic store format had not changed in 25 years. Management realized that it was time to rethink how the stores could better fulfill consumer wants.

Although these new stores have a different layout from the existing Gemcos, including a single bank of checkout stands located for the first time in the front of the store, they are basically the same size as the older units (100,000 sq. ft.). The only major difference is that the prototype's backroom storage facility is smaller, allowing for more store selling space.

In keeping with the overall Gemco strategy, the new prototypes offer five major departments: apparel, hard goods, sporting goods, toys and garden needs.

The supermarket area is the focal point of the new Gemco prototypes with space in this area having been increased 25% from the older Gemco stores. The supermarket area includes a large produce department, a full service delicatessen and bakery, and an adjacent pharmacy.

In addition, the prototype stores along with four Gemco Phoenix stores, are testing a single bank of checkouts located in the front of each store. This arrangement enables Gemco member customers to take care of both food and general merchandise purchases through a single transaction.

In the specialty store area, Lucky's Yellow Front Stores are being remodeled to update their appearance and provide for more effective merchandise presentation. This remodeling includes a new loop traffic pattern providing for better utilization of store space.

Remodeling also continues to take place among the chain's fabric and automotive stores.

A company spokesman says Lucky's expansion program will be primarily in existing trade areas with no new geographic areas planned for 1986. ■

Leader in new construction

During fiscal 1985, Wal-Mart built 196 new stores, bringing the chain's total units to 745.

Wal-Mart		
	1985	1984
Stores in operation at end of calendar year	887	758
Total stores added in calendar year	130	115
Gross square footage added in calendar year	9,455,000	7,665,000
No. of stores closed	1	3
Total capital expenditures	$225 mil.	$213.2 mil.

Source: Chain data and *Chain Store Age Executive* estimates

Although Wal-Mart takes the No. 3 position on the 1985 Big Builders gross square footage list, it is far outpacing the rest of the retail industry when it comes to the construction of new store space.

Unlike Ames Department Stores and K mart, Nos. 1 and 2 respectively, Wal-Mart's square footage additions come from actually building new stores, not acquisitions. Specifically, the company is going full-speed ahead with an ambitious construction program that features new discount stores, including a smaller store format, along with its new membership warehouse clubs.

During fiscal 1986, ending Jan. 31, 1986, the corporation expects to add a total of 9.4 million sq. ft. of space, up from last year's already impressive 7.5 million sq. ft. To allow for such great expansion, the company has developed an extremely flexible real estate policy. During the past few years the company built all of its own stores but this year it has begun leasing them from other developers.

While additional Wal-Mart discount stores will account for the bulk of this growth, Sam's Wholesale Clubs are also rapidly expanding. The company's entry into the membership warehouse club arena will more than double its size before the end of this year, bringing the total number of units to 23.

The construction of Wal-Mart discount units is proceeding at a rate of more than 100 stores per year. Last year, during fiscal 1985 (ended Jan. 31, 1985), 106 stores were constructed, bringing the total number of units for the chain to 745. Only three units shut their doors.

Before the close of this year, Wal-Mart will be adding approximately 115 discount stores to its ranks, with only one unit slated for closing.

According to a source within the company, Wal-Mart is maintaining its strategy of constructing stores in small "home town, family markets" with populations of under 200,000. These markets, she reports, usually run about 40,000 on average.

Smaller prototype stores of approximately 29,000 sq. ft. (vs. 55,000 sq. ft. for traditional Wal-Mart stores) are being tested in even smaller markets like Sayer, Mo., for example.

In contrast, traditional Wal-Mart stores are going up in larger urban markets like Houston and Memphis. The competition is, in many cases, the same as in smaller markets, the source says, so there haven't been too many surprises.

Sam's Wholesale Club started out fiscal 1985 with three existing stores, one each in Oklahoma City, Dallas and Kansas City. During fiscal 1985 it upped that number to 11 with the addition of eight units: three in Houston, and one each in Birmingham, Ala.; Charleston, S.C.; St. Louis; Jacksonville, Fla.; and Dallas.

This year a dozen more Sams have been or will be constructed. At presstime, Wal-Mart had added wholesale clubs in Wichita, Little Rock, Tulsa, Memphis, Nashville, Knoxville and San Antonio. Five more were scheduled for construction before the end of the current fiscal year.

Sam's Wholesale Club isn't Wal-Mart's only example of diversification. During fiscal 1984, for example, it opened its first Dot discount drug store in Des Moines. A second unit has been added this year in Kansas City.

In addition, during fiscal 1985, Wal-Mart opened its first Helen's Arts and Crafts Store. So far this year a second unit has been opened in Monroe, La., and another is expected to open before year-end in Fort Smith, Ark. ■

Celebrating with 2,000th store

Revco will celebrate its 30th birthday during fiscal year 1986 and as part of the celebration, plans are under way for the opening of the drug chain's 2,000th store.

The chain is, in fact, following an aggressive expansion program throughout its current fiscal year which ends June 1986. By that time, the drug store industry powerhouse will have approximately 2,041 stores.

Working with a capital expenditure budget of approximately $90 million, these additional units include 140 new drug stores and three units of Get It For Less, the chain's deep discount store venture.

The chain also contributed to the merger fever in the drug store industry with its acquisition of Carl's Drug Stores at the beginning of the chain's current fiscal year. Part of the strategy behind the purchase of these 42 units was to provide Revco with a geographic foothold in New York.

This purchase also provides Revco

with an entry into the New England market with stores in New Hampshire and Vermont.

The acquired stores and the expansion of existing units will add an estimated 1.9 million sq. ft., compared with last year's 1.4 million sq. ft. of additional store space.

Revco's drug store division will continue its expansion program with the remodeling and relocation of a significant portion of its units. A total of 255 such projects are planned for 1986, compared with 277 such projects during fiscal 1985.

Revco		
	1985	1984
Stores in operation at end of calendar year	2,041	1,898
Total stores added in calendar year	185*	154
Gross square footage added in calendar year	1,805,000	1,309,000
No. of stores closed	N/A	34
Total capital expenditures	$90 mil.	$90 mil.

*Includes acquisition of 42 Carl's Drug Stores
Source: Chain data and *Chain Store Age Executive* estimates

The company is also investing heavily in stand-alone pharmacy computer system, developed by Revco's General Computer Corporation subsidiary. Revco's plans call for eventually equip the entire chain with these systems. These enable Revco to process most third party claims electronically, and provide a direct communications link with Revco headquarters.

With the deep discount format catching on, Revco's Get It For Less division has been doing well since it opened in 1983, according to the company. The deep discount stores offer more than twice the selling space of the typical drug store and are capable of generating considerably higher annual volume.

Revco's management is currently investigating new areas for the deep discount units where there are no existing Revco drug stores.

Following very troubled times, the expansion of the company's Odd Lot division is on hold. It consists of a wholesale division—Tangible Industries—which buys close-out merchandise for retailers and a retail division consisting of 152 stores. During fiscal year 1985, the Tangible Industries division was showing a drop in sales by 49% compared with the previous year. With a new management team overseeing its operation, Revco officials believe the division will make a comeback. Until they re-evaluate the situation, however, there will be no expansion during fiscal 1986. ■

"HOW TO CUT SHRINKAGE BY UP TO 25%"

– Jack Hayes

Unique audio training course for managers immediately starts paying off to the bottom line.

This comprehensive, easy-to-use course has been developed by Jack Hayes, noted authority on loss prevention, and Arthur Young, one of the world's major accounting and consulting firms.

Self-teaching interactive audio/workbook format gets each participant involved. Your store managers quickly learn the latest in loss prevention techniques –techniques that will immediately start paying off to your bottom line.

This course is the most economical, effective way to give your managers the tools to combat shrinkage.

Call or write today and discover what a difference good training will make to your profits.

To receive your preview copy of the Jack Hayes course at the special price of $40, call

1-800-524-0425.

In New Jersey, call 201-493-8031.

☐ Please send me more information about how I can add to my operation's profits by using the Arthur Young / Jack Hayes Loss Prevention Course.

Name _____ Title _____

Company _____

Address _____

City/State/ZIP _____

Telephone (_____) _____

Fax _____

To save time, call 1-800-524-0425. In New Jersey: 201-493-8031. Or mail to: Arthur Young P.O. Box 38, Oakhurst, N.J. 07755.

Arthur Young

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

1A59

For more information circle 28 on reply card.

This ad is for all those who ever wonder why your company runs a United Way campaign.

When it comes right down to it, you're probably the best reason your company has for getting involved with the United Way.

You see, they know almost all of the money given to the United Way goes back out into the community to help people.

So if you, or the people you work with, should ever need any of our services, like day care, family counseling or health care, we'll be right there to help. In fact, there are tens of thousands of United Way-supported programs and services in cities and towns across the country. That means help is nearby wherever you are.

And your company knows that could mean the difference between keeping or losing a valuable employee.

That's why they give. And that's why they ask you to give. Because there may come a day when you need help yourself.

United Way

Thanks to you it works for ALL OF US.

Ad Council

Strategy of varied formats

Kroger believes that combo stores deserve an increasingly larger portion of the capital budget.

Having recovered from several years of ailing financial results produced by a combination of a poor retail environment and disputes with its local unions, Kroger is now investing $300 million in its 1985 capital expenditures program. That figure is down only slightly from the $310 million invested in 1984.

A significant portion of the 1985 investment is going toward the expansion and remodeling of existing store units. Last year the company remodeled 90 such units; this year it is remodeling 146 stores.

However, the company will also be opening 48 new supermarket units, compared with 46 new stores opened in 1984.

Many of Kroger's new and remodeled supermarkets will be combination food/drug stores, which average approximately 47,000 sq. ft. in size. This also reflects a general industry trend toward the expansion of the combo store format.

Specifically, Kroger believes that because of their size, variety of products that can be made available and emphasis on store service, combination stores can generate considerably higher sales and profits than other store formats. As a result, they are taking an increasingly larger portion of the company's capital budget.

At the same time, recognizing that not all areas are suitable sites for this format, the company is continuing to develop stores of differing sizes and of various formats in an attempt to meet the specific needs of a particular trade area. This, too, is indicative of industry wide trends.

Kroger

	1985	1984
Stores in operation at end of calendar year	2,876	2,379
Total stores added in calendar year	604*	171
Gross square footage added in calendar year	5,820,470	N/A
No. of stores closed	N/A	178
Total capital expenditures	$300 mil.	$310 mil.

*Includes the acquisition of 315 Hook drug stores, 169 Turkey Hill convenience stores and 4 Price Savers.
Source: Chain data and *Chain Store Age Executive* estimates

Keeping with this strategy, the company has also become more flexible in its approach not only to store design, but also to merchandise selection and promotional activity. This policy permits the company to be more responsive to consumer needs in the various markets which it serves.

Corporate advertising, including the "Feel the Difference" campaign, is helping to get Kroger's message of "convenience, value and service" out to its customers.

At the same time, recognizing that the 443 convenience stores operated by the company's Dillon division represent a fast-growing segment of food retailing, the corporation will be opening 43 convenience stores before year-end. Forty-six of these units are slated for remodeling. Convenience stores under the Time Saver name are located in New Orleans; Quik Stop Markets are in northern California; Kwik Shop operates in Kansas, Nebraska and Iowa.

This year Kroger also acquired 169 Turkey Hill convenience stores.

Along with its drug store involvement through the combination stores, Kroger is, of course, also heavily involved in that particular industry through its drug store divisions.

In this area, plans call for SupeRx Drug Stores to open 24 new facilities this year and to remodel approximately the same number of existing facilities. This will bring the chain's store total to approximately 642 by year-end.

In fact, this year the drug store industry has emerged as a major area of growth for Kroger. Earlier in the year, the company purchased Hook Drugs of Indianapolis. The chain operates 301 drug stores and 14 home health care facilities in Indiana, Illinois, Ohio and Kentucky.

Industry observers believe that Kroger will benefit from Hook's sound understanding of drug store operations.

In addition, the chain has the geographical domination on the edge of the company's SupeRx territory which can enhance Kroger's overall drug store operations.

Looking for other expansion opportunities, Kroger also recently acquired four Price Savers Wholesale Club stores (located in the Northwest) from Pay 'n Save. These stores afford Kroger entry into the fast-growing membership wholesale club business, an area already being explored by such retailing giants at Zayre and Wal-Mart.

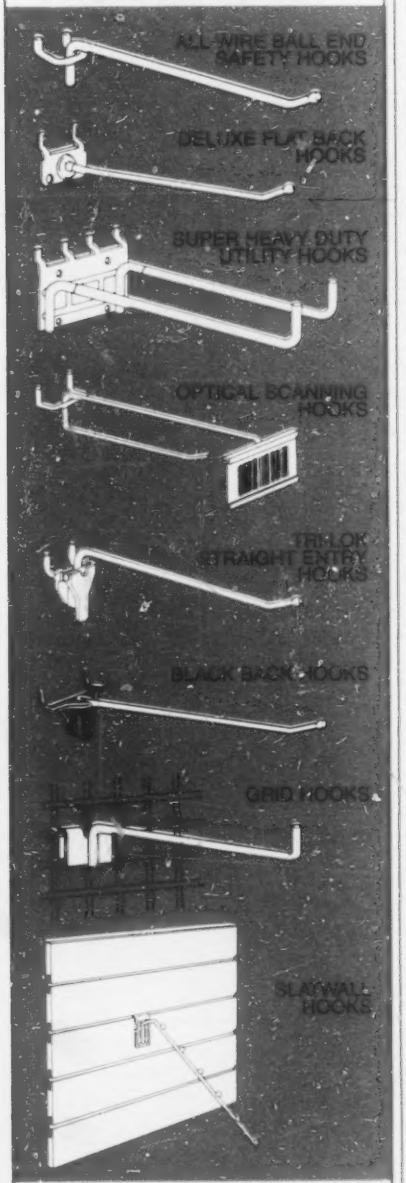
Industry analysts contend that Kroger is attracted to this field because these stores generate a great deal of cash flow. It is estimated that each existing 100,000-sq.-ft. unit will generate sales of $80 million to $100 million when it reaches maturity.

These stores, however, also require a lot of capital, with start-up costs estimated to range from $5 million to $10 million. There has been speculation that Kroger plans to expand this concept into the Midwest, but so far Kroger has not released any such plans.

At the same time, Kroger continues to be plagued by union woes in its food operations. Shortly before press-time, Kroger announced that it was closing its last 23 northeast Ohio stores as a result of what it contends are excessive union demands. Last year the chain closed a total of 171 units. ■

WORLD'S LEADING MANUFACTURER OF DISPLAY HOOKS

We produce **MORE** hooks and more **KINDS** of hooks and sell them at the **LOWEST PRICES!**



Call or Write For **FREE** Catalog

Trion Industries Inc.

297 Laird Street, Wilkes-Barre, PA 18702
Tel. 717-824-1000 Telex 291704 HOOKUR
Outside Pa. call toll-free 1-800-233-2302

For more information circle 30 on reply card.

Murphy buy doubles chain

Ames Department Stores, Rocky Hill, Conn., leads this year's Big Builders gross square footage list with impressive additions that more than double the size of the discount store chain.

It should be noted, however, that over 80% of Ames' 1985 expansion is through the acquisition of the G. C. Murphy chain. Murphy, purchased midyear by Ames, operates larger discount department stores called Murphy Marts as well as smaller variety store operations.

The total purchase, which cost approximately $200 million, consisted of 118 discount department stores and 263 smaller variety stores.

The acquisition of those 381 stores added approximately 11,631,000 sq. ft. to Ames, of which 7,371,000 sq. ft. makes up the 118 larger Murphy Marts. The balance is from the smaller variety stores which range in size from 5,000 sq. ft. to 100,000 sq. ft. For the purposes of calculating the total G. C. Murphy square footage, the smaller stores were estimated to average 20,000 sq. ft. each.

Subtracting out the square footage gained through the acquisition, Ames own new stores built this year totaled 1,038,711 sq. ft. The chain added 18 new units ranging in size from 43,200 sq. ft. to 103,152 sq. ft.

Those units were added primarily in the Northeast corridor and its fringes, in states where Ames had an existing presence. The new stores include four in Massachusetts, one in Connecticut, three in New Jersey, three in Virginia, three in New York, one in Pennsylvania, two in Maine and one in West Virginia.

The acquisition of G. C. Murphy, however, takes Ames into foreign turf. More than half of the Murphy Marts fall in Ames' 11-state territory (Virginia became part of the territory last year), the balance lies farther west and south. These new states include Kentucky (three stores), Indiana (eight stores), Michigan (two stores), Ohio (27 stores), Illinois (one store), Alabama (one store), Louisiana (five stores) and Mississippi (one store).

None of these stores, nor the variety stores, is operating under the Ames name as yet, according to a source within the company. That transition can be expected to begin sometime next year. Also, these units will continue to be operated out of the G. C. Murphy headquarters in McKeesport, Pa.

Ames		
	1985	1984
Stores in operation at end of calendar year	579	180
Total stores added in calendar year	399[1]	54[2]
Gross square footage added in calendar year	12,669,711	2,700,000
No. of stores closed	0	1
Total capital expenditures	$37 mil.	$37.55 mil.

[1]Includes acquisition of G. C. Murphy
[2]Includes acquisition of 42 Kings stores from KDT Industries
Source: Chain data and *Chain Store Age Executive* estimates

Absorbing outside chains into the company is nothing new for Ames. Last year the company substantially boosted its square footage with the acquisition of 42 Kings stores from KDT Industries. This came on top of the construction of a dozen new Ames units, bringing to 180 the number of Ames stores operated at year-end.

The company also remodeled 21 stores last year as part of a renovation program that began in 1981. As of the beginning of this year, 45 stores had been remodeled. Renovations are continuing through this year as well.

For the most part, Ames prefers to locate its stores in rural and small town locations. As of last year, however, it tested the waters of a larger urban market (Richmond, Va.) and found it so successful that a second Richmond store was added last month. The company has indicated it may attempt to seek that same success in a few other larger markets in the future.

On top of acquiring these millions of square feet, Ames is also adding a limited amount of space through the remodeling of approximately 30 older stores. The company's increased sales volume and the inclusion of larger, bulkier items into its merchandise mix has prompted the enlargement of these smaller stores.

A new prototype design for future Ames department stores is also under development and it will be larger than the company's current 50,000-sq.-ft. average store size.

Prior to the acquisition, Ames had slated a 1985 capital expenditures budget of approximately $37 million. Revised figures were not available as of presstime. ■

Using its specialty strategy

Melville		
	1985	1984
Stores in operation at end of calendar year	6,239	5,911
Total stores added in calendar year	274	277
Gross square footage added in calendar year	2,062,000	2,146,000
No. of stores closed	86	113
Total capital expenditures	$103 mil.	$111 mil.

Source: Chain data and *Chain Store Age Executive* estimates

***Plans for the drug and health & beauty aids chain include** adding 55 units and closing 11.*

Melville, capitalizing on its specialty store retailing strategy of building highly focused separate retail store groups, again this year is investing heavily in the growth of such units.

Before year-end, the company plans to have spent approximately $103 million for capital expenditures, down slightly from the $113 million it invested in 1984.

However, the 1985 figures were set prior to Melville's decision earlier this year to sell off its Foxmoor chain. While this 618-unit young women's apparel store chain generated 1984 sales in excess of $161.8 million, its earnings had a depressing effect on overall net income generated by Melville's apparel segment.

One of Melville's most rapidly expanding divisions continues to be Kay Bee Toys. This year's plans call for 60 additional units to be opened on top of the 79 units opened last year.

In carrying forth this expansion, Kay Bee is also continuing its strategy of opening its stores in shopping center locations, and primarily in strip centers.

Melville also intends to build on the improvement in both sales and earnings registered by CVS, the company's drug, health & beauty aids chain. Plans call for the addition of 55 units, with 11 CVS stores slated to be closed.

Despite some industry reports about problems in the off-price industry, such doomsayers don't appear to be affecting Melville's plans for Marshalls, already the nation's largest off-price apparel chain of men's, women's and children's apparel, with 209 units at the end of 1984.

This year, Marshalls is opening 30 units to bring its total to 239 by year-end. This is down slightly from last year's aggressive expansion program which saw 35 units added to the chain. Yet, it still demonstrates Melville's continuing support of this concept.

In 1984, for the first time Marshalls passed the $1 billion mark for the first time, generating revenues of approximately $1.1 billion.

Also in the off-price category, the company is adding 25 stores to its Linens 'n Things chain, featuring home textiles and related products. The chain also plans to close two units, bringing its year-end total to 122.

Twenty-five units each are also being added to two other Melville chains. These include Chess King, Melville's young men's apparel stores and Wilson's, specializing in leather apparel and accessories. ■

WE'RE THE KEY IN MATERIALS HANDLING SYSTEMS
When it comes to materials handling, major companies like Sears, J.C. Penney, K mart, R.H. Macy and Lerner Shops turn to Key Handling for custom-designed, engineered and installed automated turnkey systems.
Monorail systems
Carton conveyors
Laser scanning sortation
Over the past two decades, we've dramatically increased distribution center productivity with state-of-the-art monorail systems, speed rail conveyors, belt and roller conveyors, mezzanine structures, automated storage and retrieval systems, sortation systems, bar code scanning and computer manifesting.
To learn how we can enhance your productivity, contact William E. Stefan, Executive Vice President.
KEY HANDLING SYSTEMS, INC.
210 South Newman Street,
Hackensack, N.J. 07601
800-631-1383/In New Jersey, 201-342-6223

For more information circle 35 on reply card.